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# Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 EB-11 ADP-00 AID-20 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 IO-12 NEA-10 NSAE-00 RSC-01

OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08

RSR-01 /136 W
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R 141410 Z MAY 73
FM USMISSION OECD PARIS
TO SECSTATE WASHDC 9597
INFO AMEMBASSY WELLINGTON

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E. O. 11652 N/ A
TAGS: EFIN, OECD
SUBJECT: EXCOM CONSIDERATION NEW ZEALAND ACCESSION TO OECD

REF: ( A) USOECD 11097
( B) STATE 81398
( C)(73)60
( D) C(73)70

1. SUMMARY. EXCOM CONSIDERED NEW ZEALAND ACCESSION TO OECD ON MAY 3 1973. FRENCH DEL NOT SURE HIS GOVERNMENT WILL BE READY TO ACT ON APPLICATION BY MAY 15. BELGIAN DEL INDICATED HIS GOVERNMENT FEELS NZ ACCESSION WOULD BE LAST. SEVERAL DELS DEPLORED LARGE NUMBER NZ REMAINING CAPITAL CONTROLS AND CONSEQUENT NEED FOR RESERVATIONS TO OECD CODES. THERE WERE ALSO REFERENCES TO GROWING NEED FOR REEXAMINATION TO OECD CAPITAL CODE, SINCE COUNTRIES ARE RETHINKING THEIR BASIC PHILOSOPHIES CONCERNING LIBERALIZATION OF CAPITAL MOVEMENTS. END SUMMARY.

2. U. S. REP NOTED THAT U. S. CAN ACCEPT DRAFT DECISIONS AND DRAFT ENTRY ( REF C AND D). HE NOTED THAT IF WE HAVE
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ANY REGRETS, THEY CENTER IN WAY IN WHICH NZ INTENDS TO ADHERE OECD CODES ( CODE OF LIBERALIZATION OF CURRENT INVISIBLE OPERATIONS AND CODE OF LIBERALIZATION OF CAPITAL MOVEMENTS). HE NOTED THAT U. S. SEES WITH REGRET LARGE NUMBER OF EXCHANGE CONTROLS WHICH EXIST AND WHICH REQUIRE LODGING OF SO MANY RESERVATIONS TO CODES. HE HOPED THAT WITH RESPECT TO CURRENT CODE, RESERVATIONS AGAINST ITEM A/5 ( ROAYALTIES, PATENTS, ETC.) WOULD BE REMOVED AS SOON AS POSSIBLE, SINCE THESE SUPPORT TRADE RESTRICTIONS. WITH REGARD TO CAPITAL CODE, HE NOTED THAT LARGE NUMBER OF RESERVATIONS INDICATE RESTRICITIVE ATTITUDE TO FREEDOM OF CAPITAL FLOWS DESPITE HIGH IDEALS OF OECD CODES ACCEPTED BY NZ AND DESPITE NZ' S HEAVY DEPENDENCY ON INFLOWS OF FOREIGN CAPITAL FOR ITS ECONOMIC DEVELOPMENT.

3. U. S. REP NOTED THAT HIS COMMENTS APPLY NOT ONLY TO NZ, BUT ALSO TO LARGE NUMBER OF THER OECD COUNTRIES HAVING EXTENSIVE RESTRICTIONS AND RESERVATIONS. HE FELT THAT AT TIME WHEN OECD IS TAKING PART IN WORLD REVIEW OF WAYS TO LIBERALIZE INTERNATIONAL PAYMENTS SYSTEM, IT IS IMPORTANT THAT NEW MEMBER ADHERING TO OECD CODES REMOVE AS MANY RESTICTIONS AS POSSIBLE. ONCE HAVING BECOME A MEMBER, WE HAVE SEEN FROM PAST EXPERIENCE THAT COUNTRIES DO NOT REMOVE THEIR RESERVATIONS VERY RAPIDLY. HE NOTED THAT WE COULD NOT REALISTICALLY HOLD OUT STRICTER CRITERIA FOR NEW MEMBERS THAN FOR EXISTING MEMBERS. HOWEVER, HE WOULD HAVE WISHED THAT EXISTING MEMBERS COULD HAVE GIVEN BETTER EXAMPLE, AND EXPRESSED GENERAL COCERN OF U MS. OVER LAXITY WITH WHICH MEMBER COUNTRIES REGARD THEIR OBLIGATIONS TO REMOVE RESERVATIONS UNDE CODES. HE EXPRESSED HOPE NZ WOULD BE ABLE TO TELL COUNCIL SOMETHING REASSURING ABOUT ITS INTENTIONS FOR FUTURE CONCERNING CODES.

4. CHAIRMAN OCKRENT AGREED TO SENTIMENT EXPRESSED BY U. S. DEL, NOTING ALS THAT OECD' S EFFORTS VIS- A- VIS JAPAN ARE NOW HAVING SOME CLEAR EFFECT WITH REGARD TO REMOVAL OF RESTRICTIONS ON BOTH THE CURRENT AND CAPITAL ITEMS. HE ALSO NOTED U. S. DEL' S WISH CONCERNING DESIRE FOR REASSURING STATEMENT FROM NZ AUTHORITIES REGARDING THEIR LIMITED OFFICIAL USE

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INTENTIONS TO PROGRESSIVELY APPLY FULL INTENT OF TWO CODES.

5. JAPANESE DEL NOTED ITS WHOLEHEARTED APPROVAL OF NZ CANDIDACY, POINTING OUT THAT NZ' S MEMBERSHIP WOULD GIVE A WIDER BASE AND BETTER BALANCE BETWEEN EUROPEAN AND NON-EUROPEAN MEMBERS OF OECD. HOWEVER, HE NOTED THAT HIS GOVERNMENT HAS NOT COMPLETED ITS DETAILED EXAMINATION OF

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QUESTION AND THAT HE COULD GIVE ONLY AD REFERENDUM APPROVAL.

6. SWISS DEL INDICATED THIS POSITION WAS ABOUT SAME AS EXPRESSED BY U. S. DEL. ON CURRENT ACCOUNT, NZ POLICY SEEMS FAIRLY LIBERAL WHILE LARGE NUMBER OF RESTRICTIONS ON CAPITAL SIDE SEEM QUIRE ILLIBERAL. HOWEVER, HE ALSO NOTED THAT OPINIONS CONCERNING CAPITAL CODE ARE DIVIDED WITHIN ORGAZIZATION, AND COUNTRIES ARE IN FACT RETHINKING THEIRVIEWS CONCERNING CAPITAL MOVEMENTS AND WHAT OUGHT TO BE ROLE OF CODE IN NEW CONTEXT OF INTERNATIONAL MONETARY RELATIONS. HE WOULD EXPECT ALL THIS TO LEAD TO SOME REEXAMINATION OF CODE ITSELF EVENTUALLY. HE ALSO EXPRESSED HOPE THAT NZ' S RESTRICTIONS WOUD BE MAINTAINED ONLY DURING INITIAL PHASE OF ITS MEMBERSHIP, AND THAT THEY COULD BE PROGRESSIVELY REMOVED, PENDING ANY FURTHER REVISION OF CODE WHICH MIGHT BE UNDERTAKEN IN OECD.

7. CHAIRMAN AGREED THAT WE ARE ALL REFLECTING ON CODES, THEIR MEANING, BASIC PHILOSOPHY, EXTENT OF ADHERENCE IN PRACTICE AND NUMBER OF RESERVATIONS AND THEIR EFFECT.

8. FRENCH DEL QUESTIONED WHETHER OR NOT EXCOM DECISION, AND THOSE TO BE TAKEN BY COUNCIL CONCERNING TWO DRAFT DECISIONS AND DRAFT ENTRY, WOULD IN FACT BE BINDING ON ORGANIZATION FOR ADMISSION OF NZ IF LATTER ACCEPTED. CHAIRMAN AND LEGAL ADVISERS RESPONDED AFFIRMATIVELY. FRENCH DEL THEN INDICATED THAT HE HAS NOT YET RECEIVED INSTRUCTIONS FROM HIS GOVERNMENT AND COULD AGREE ONLY AD REFERENDUM. HE ASKED THAT THIS POINT BE INCLUDED IN MINUTES OF MEETING, AND NOTED HE WAS NOT SURE FRENCH GOVERNMENT WOULD BE READY BY MAY 15 TO ACT ON NZ APPLIC-- TIONS IN COUNCIL. ( IT IS PLAIN THAT FRENCH ARE LINKING THIS QUESTION TO NZ ATTITUDE ON FRENCH NUCLEAR TESTING.)

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9. BELGIUM DEL WELCOMED ACCESSION OF NZ, BUT NOTED HIS GOVERNMENT FEELS THIS WILL COMPLETE DESIRABLE SCOPE OF OECD AND THE IT WOULD BE UNDESIRABLE TO GO FURTHER IN FORESEEABLE FUTURE. OFF RECORD, HE NOTED THERE ARE ADVANTAGES IN KEEPING NUMBER OF MEMBERS OF ORGANIZATION RELATIVELY SMALL, FOR BOTH PROCEDURAL AND PRACTICAL REASONS. IRWIN

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